

2020 Property Market Update

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Agenda

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1. Current State of Property Market
2. How Did We Get Here?
3. How to Navigate a Challenging Market
4. Real Life Renewals 2020
5. Referenced Websites and Articles

Current State of Property Market

Restricted Capacity + **Adverse Loss Development** = **Accelerated Hardening**

Pricing

- Property Market Conditions continue to see an acceleration in rate increase
- Accounts below technical pricing or losing key capacity are seeing largest rate corrections
- Benign Risk are seeing +5% to +15%
- CAT accounts are seeing +10% to +20%
- CAT with losses are expecting +20% to >+30%

Underwriting

- Underwriters are overwhelmed with submission activity
- Underwriters continue to take a critical look at exposures and are adjusting portfolios including restricting many coverage terms previously offered
- Approval has shifted to more senior management
- Engineering reports heavily scrutinized

Capacity

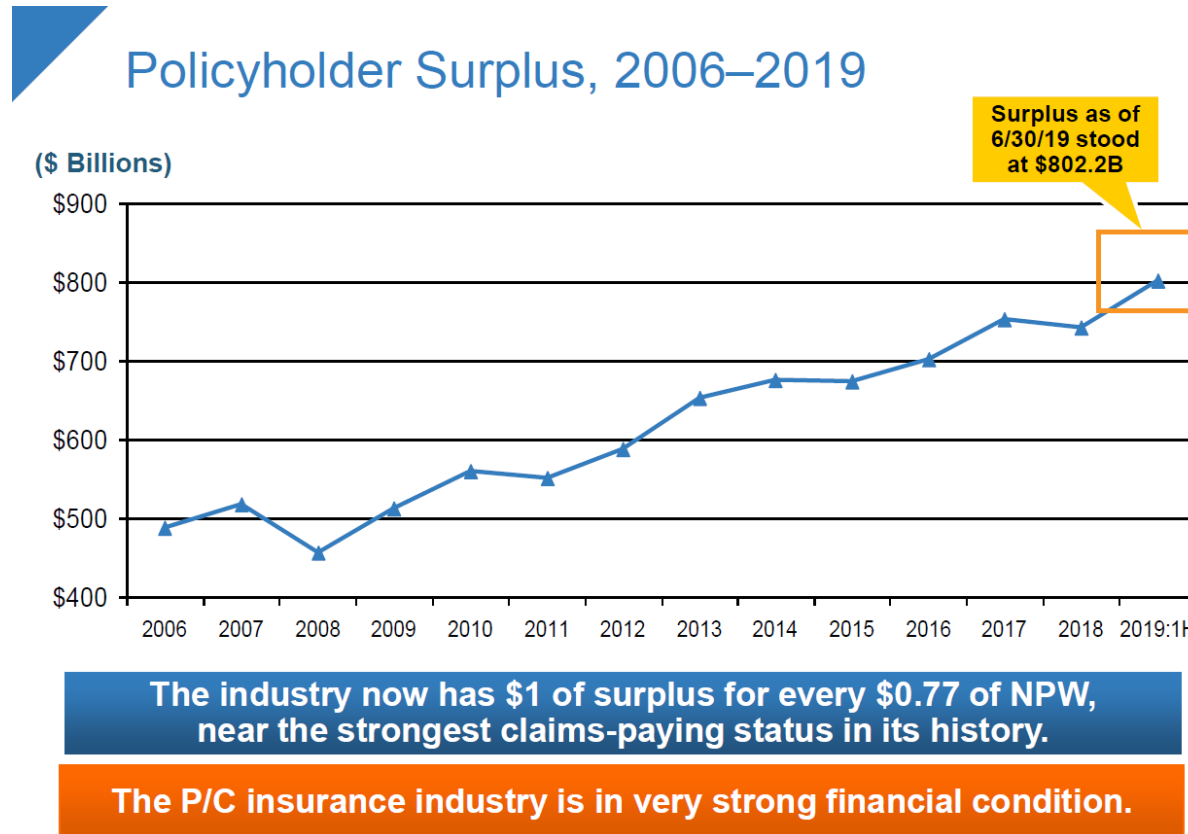
- Capital remains available
- With the exception of challenging industry class (i.e. food manufacturing, habitational, waste management and schedules with significant CAT exposure)
- Two major global insurers are shifting appetites and restricting capacity
- Increased volume allows underwriters to be more selective
- Capacity is being priced and deployed conservatively
- Insurers are repositioning deployed capacity based on account profitability

Coverage

- Upward pressure on deductibles
- Increased Hail, Wind and Earthquake Deductibles
- First party cyber exclusions are more common
- Coverage tightening “non-controllable exposures” (i.e. service interruptions), reduction in sub limits and increased waiting periods.
- Standalone Terrorism is becoming more common

Current State of Property Market

Policyholder Surplus



Sources: ISO, A.M. Best.

Current State of Property Market

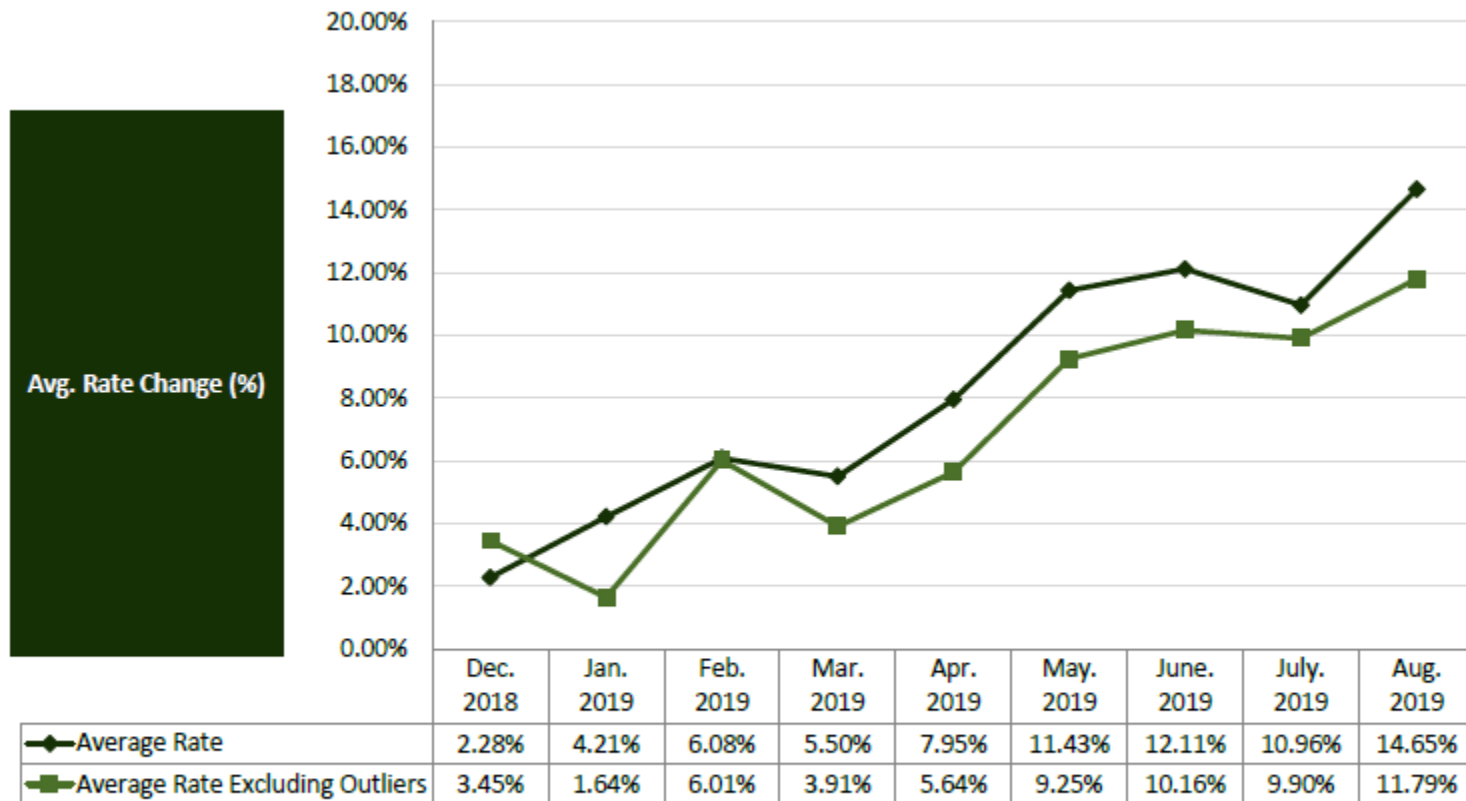
Renewal Forecast

USI Rate Forecast by Product Line		
Product Line	Midyear Update	Q4 2019-2020
Property Non-Catastrophic <i>Good Loss History</i>	Up 10%	Up 10% to 20%
CAT Property <i>Minimal Loss History</i>	Up 10% to 40%	Up 25% to 40% +
CAT or Non-CAT Property <i>Poor Loss History</i>	Up 10% to 40% +	Up 30% to 60% +
Primary General and Products Liability	Flat to up 15%	Up 5% to 10%
Primary Automobile Liability <i>Fleet Lower than 200/Good Loss History</i>	Up 5% to 10% +	Up 10% to 15%
Primary Automobile Liability <i>Fleet Lower than 200/Poor Loss History</i>	Up 15% +	Up 15% to 25%
Umbrella & Excess Liability <i>(Middle Market Buyers)</i>	Up 5% to 20% Layers possibly reduced	Up 10% to 25% (Factors in contraction of limits)
Umbrella & Excess Liability <i>(Risk Management Buyers)</i>	Up 5% to 20% Layers possibly reduced	Up 15% to 30% + (Factors in contraction of limits)
Directors and Officers Public Company	Up 10% to 30% +	Up 25% to 50% 100% + if "troubled"
Private Company Management Liability	Up 5% to 10%	Up 5% to 20% 20% is claim dependent
Crime	Down 5% to up 5%	Up 5% to 25% Due to Social Engineering
Network Security & Privacy (Cyber Insurance)	Flat to 5%	Flat to 10%

SOURCE: USI COMMERCIAL PROPERTY & CASUALTY MARKET OUTLOOK - Q4 2020

Current State of Property Market

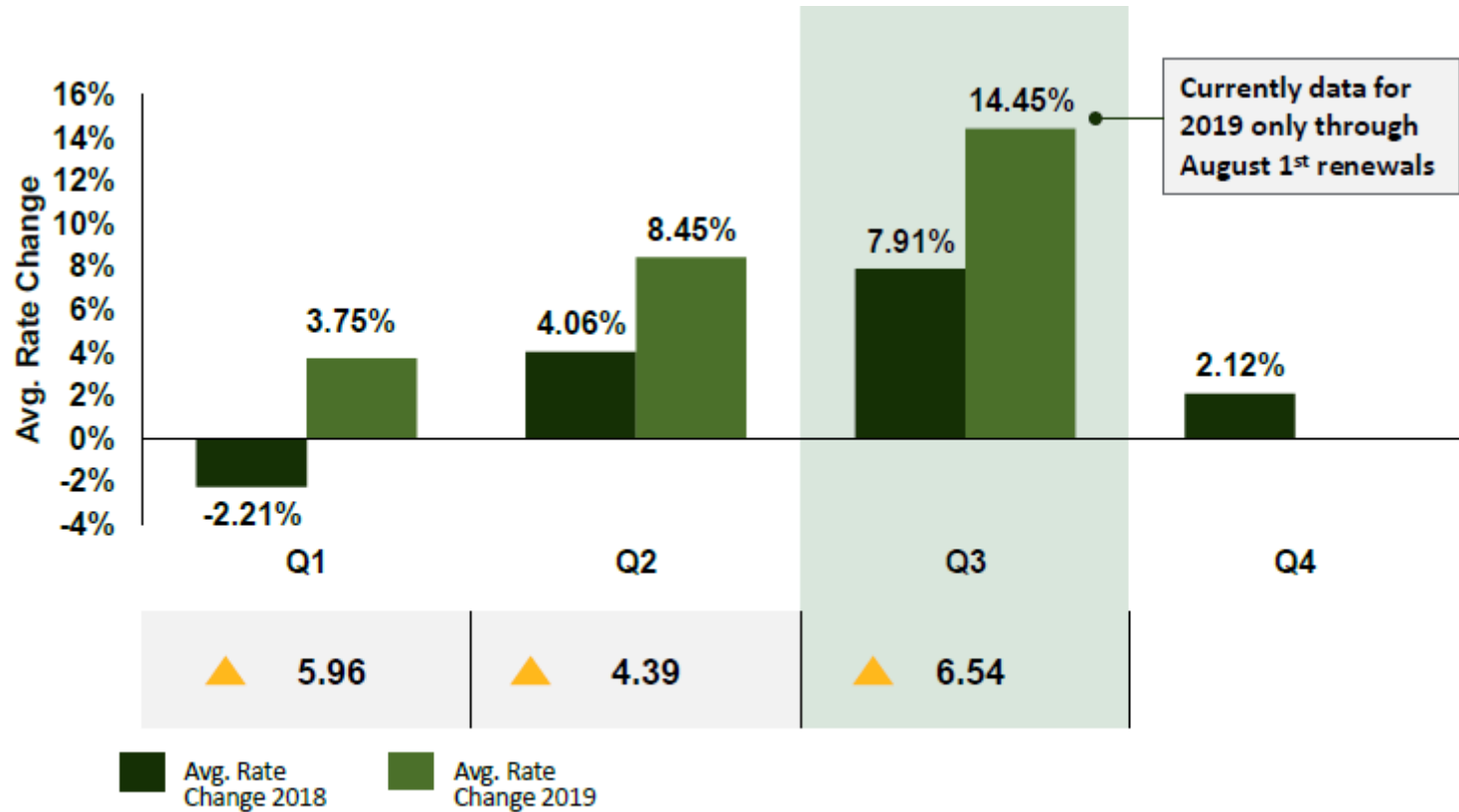
Rate Trends



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Current State of Property Market

Public Entity Rate Change



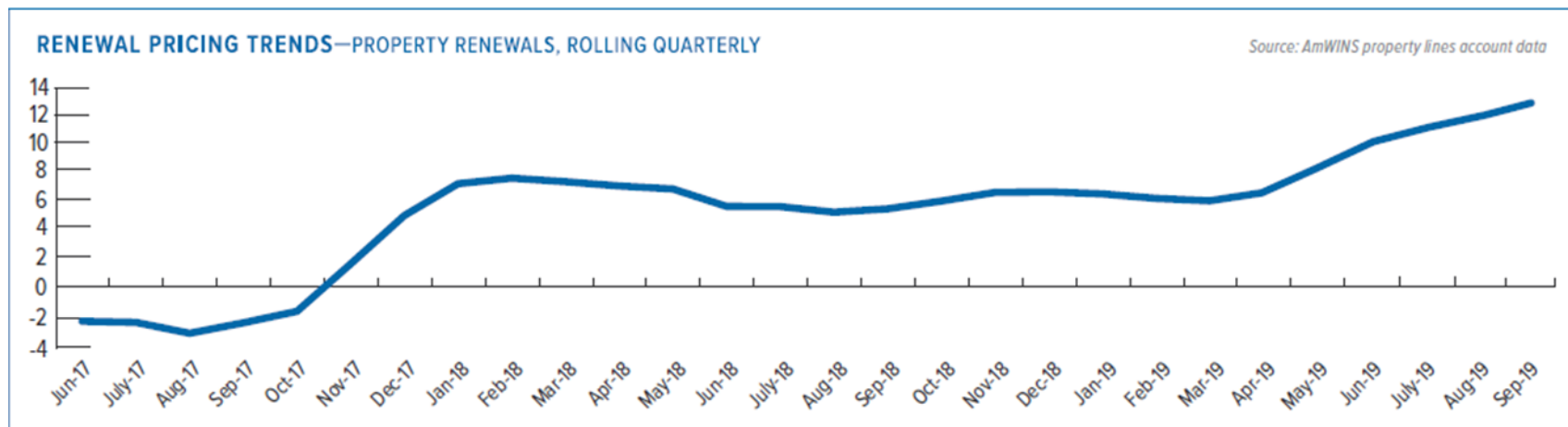
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How Did We Get Here?

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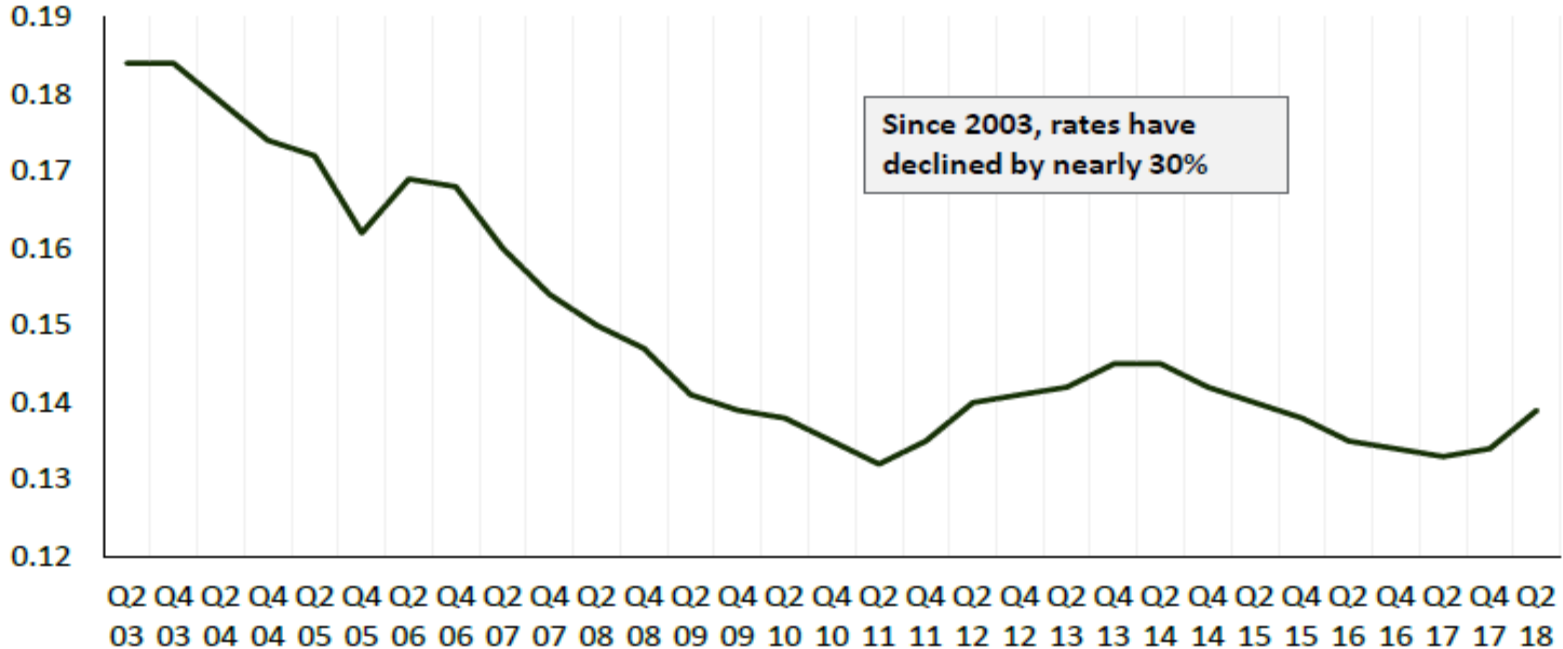
What is Causing the Current Market Conditions?

- Record consecutive industry losses, 2017-2018 circa \$230B
- 12+ Quarters of rate decreases before Q4-17 – Pressure to create more sustained profitability
- Attritional losses more severe than normal and represent 53% of insured losses
- “Loss Creep” for 2017 catastrophes (HIM) impacted 2018 earnings and locked up more alternative capital. 2018 catastrophes following a similar pattern.
- Low interest rates for many years have reduced insurer investment yields – more pressure on underwriting to achieve R.O.E.
- Two large insurers shifting appetites and restructuring books



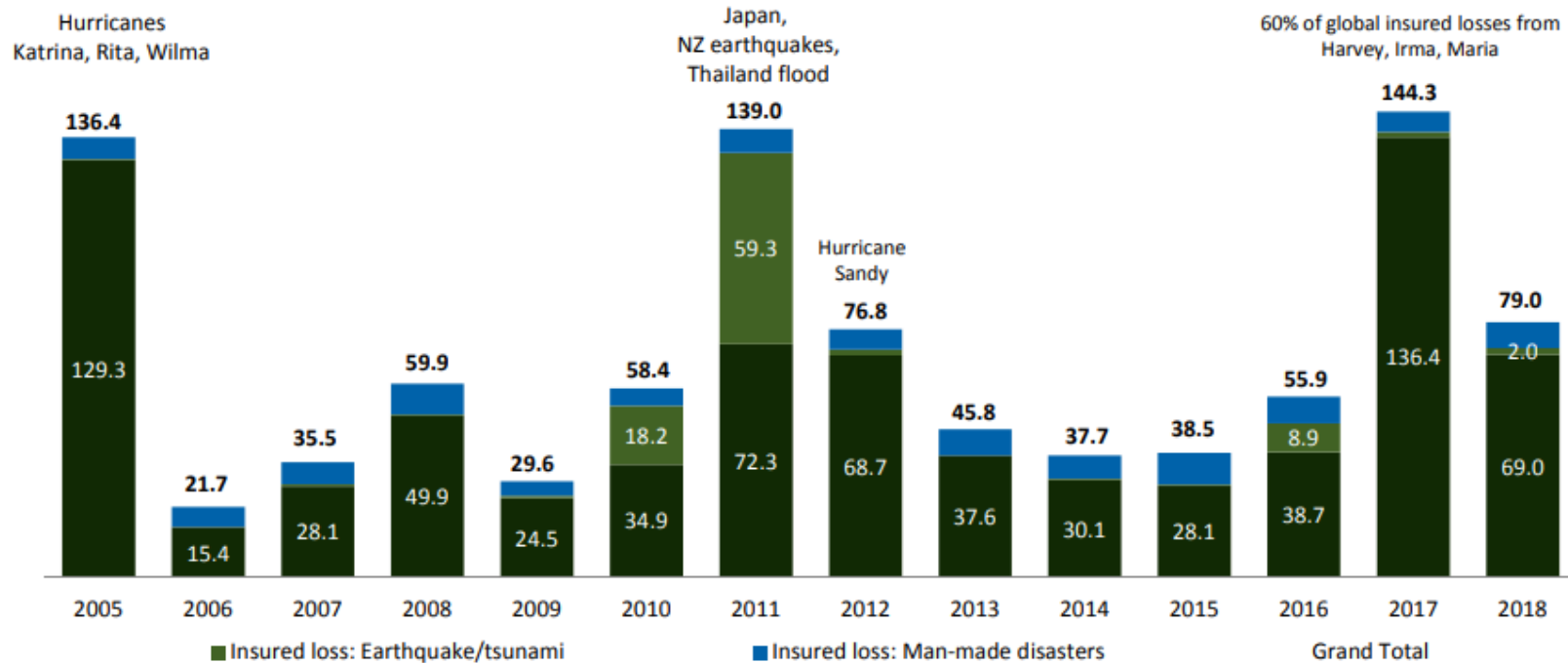
How Did We Get Here?

Commercial Property Rates have declined steadily for years. Since the CAT losses of 2017 and 2018, rates have started to rebound



How Did We Get Here?

Property Insured Catastrophe Losses- 2005 to 2018 in USD (billions)

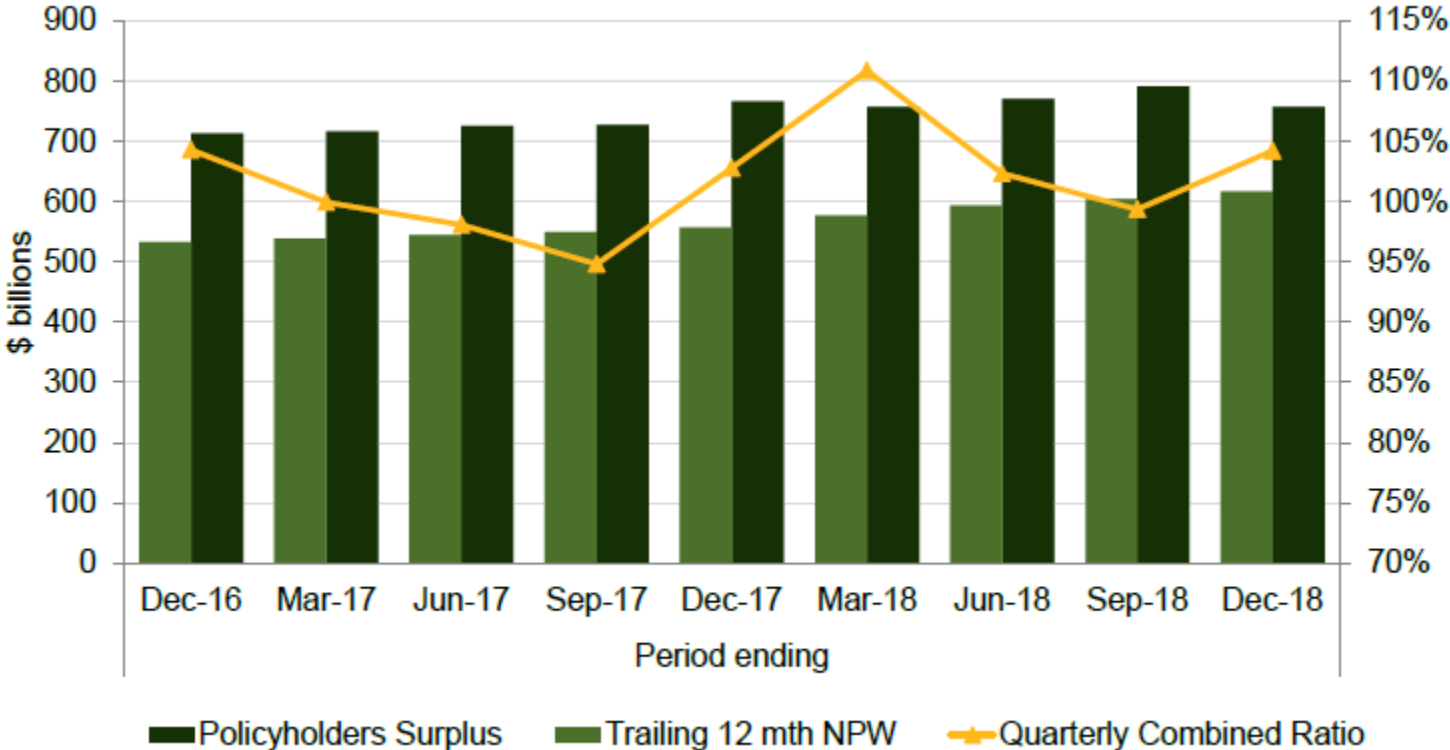


- Total 2018 insured Cat losses of \$79Bn (versus total economic losses \$155Bn)
- Average losses over the past 10 years: \$70.5Bn
- Losses not driven by singular major natural Cat event, but multiple smaller or mid-sized events
- Attritional losses are a driving force in the marketplace correction

Source: Swiss Re Economic Research & Consulting – WillisRe.

How Did We Get Here?

Industry Performance- P&C



Source: S&P Global Market Intelligence

How to Navigate a Challenging Market

Achieving the Best Outcomes & Positively Differentiate Your Risk

- 1) Renewal Timelines
 - Start Early- Underwriters are taking longer due to the influx of submissions
 - Brokers need ample time to align capacity with the most advantageous terms and conditions
- 2) Data Quality
 - Data quality is key and highly scrutinized
 - Include COPE information with secondary characteristics
 - Include any engineering reports and completed recommendations reports
 - Include valuation methodology/recent appraisals
- 3) Relationships Matter
 - Meet your underwriters
 - Underwriters are reviewing on an account-by-account basis, there is a real opportunity to differentiate your risk
- 4) Program Options
 - Give consideration to altering program
 - Restructure/ Re-layer
 - Retention options
 - Carrier selection, including alternative risk transfer options



Real Life Renewals 2020

Real Life Renewals 2020

- 1) Northeast University Consortium Risk Purchasing Group (RPG)
 - 13 Ivy League schools
 - 5 got 10-20% increases
 - 5 got 20-30% increases
 - 3 non-renewed including Columbia. Columbia marketed its program extensively ended up double the premium, double the deductible.
- 2) Michigan County
 - 14 Year Carrier Relationship
 - No Claims in 14 Years
 - Incumbent Carrier quoted a 18% increase
 - Marketed program extensively ended up with a total increase of 10% with increased terms and conditions
- 3) Florida Airport- Indication
 - 8 Year Carrier Relationship
 - No Claims in 8 Years
 - Incumbent Carrier Indicated 20%-30%
 - Extensive Marketing

Reference Websites/Articles

- <https://www.iii.org/article/spotlight-on-catastrophes-insurance-issues>
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Thank you!

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